

D.P.U. 96-5B

Application of Fitchburg Gas and Electric Light Company:

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. No. 199, for approval by the Department of Public Utilities of a change in the quarterly fuel charge to be billed to the Company's customers pursuant to meter readings in the billing months of May, June and July 1996; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. §§ 8.00 et seq. The rules established in 220 C.M.R. §§ 8.00 et seq. set forth the filings to be made by electric utilities with the Department, and implement the intent of §§ 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

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APPEARANCES: Paul B. Dexter, Esq.  
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FOR: FITCHBURG GAS AND ELECTRIC  
LIGHT COMPANY  
Petitioner

## I. INTRODUCTION

On April 4, 1996, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Fitchburg Gas and Electric Light Company ("Fitchburg" or "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file a quarterly change to its fuel charge in conformance with its tariff, M.D.P.U. No. 199, and to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. No. 82. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing months of May, June and July 1996. The matter was docketed as D.P.U. 96-5B.

Pursuant to notice duly issued, a public hearing on the Company's application was held on April 26, 1996, at the Department's offices in Boston. Notice of the hearing was published by the Company in the Fitchburg-Leominster Sentinel and the Worcester Telegram. The Company also complied with the requirement to mail a copy of the notice of the hearing to the Chairmen of the Board of Selectmen and the Town Clerks of the towns of Lunenburg, Ashby and Townsend, and the Mayor and City Clerk of the City of Fitchburg; to all persons with whom the Company has special retail contracts that do not incorporate a filed rate; and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings. No petitions for leave to intervene were filed.

At the hearing, the Company sponsored two witnesses: David K. Foote, vice president - resources operations for UNITIL Service Corporation ("UNITIL");<sup>1</sup> and Karen M. Asbury, manager of pricing for UNITIL. The evidentiary record consists of one Company exhibit.

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<sup>1</sup> UNITIL, an affiliate of Fitchburg, provides management services to Fitchburg, including the development of the Company's electric fuel charge.

The Company owns and operates one generating unit, Fitchburg Unit No. 7, an oil-fired unit of approximately 28 megawatts ("MW"), and receives power under various arrangements from units operated by others. The arrangements include entitlement to 20 MW of the New Haven Harbor unit in Connecticut, which is operated by United Illuminating Company; and one MW of the Wyman 4 unit, operated by the Central Maine Power Company. As found in its 1995 Annual Report to the Department, Fitchburg serves approximately 25,251 customers; in 1995, the Company reported revenue from retail sales of electricity of \$44,355,582.

## II. FUEL CHARGE

On April 19, 1996, the Company filed with the Department its proposed changes to its fuel charge and QF power purchase rates for May, June and July 1996. For these billing months, the Company proposes a fuel charge of \$0.03913 per kilowatthour ("KWH"). The proposed fuel charge is \$0.00258 per KWH higher than the fuel charge of \$0.03655 per KWH approved by the Department in Fitchburg Gas and Electric Light Company, D.P.U. 96-5A (1996), for meter readings for the billing months of February, March and April 1996.

The Company stated that the proposed increase is the result of a decrease in KWH sales, and increases in the cost of market purchases and unit maintenance (Exh. FGE-1, Foote Testimony, at 3; Tr. at 6-7). The Company indicated that the calculation of its fuel charge reflects two adjustments proposed by Fitchburg that are necessary in order to provide a more stable electric fuel charge ("EFC") to customers and to minimize the impact on customers' bills effective with the second quarter EFC increase (Exh. FGE-1, Asbury Testimony, at 2). In particular, the Company proposes to: (1) recover the projected \$80,332 increase in the reconciliation amount over a twelve month period; and (2) change the current amortization method regarding its

purchase power contract with Pinetree Power, formerly KES Fitchburg, L.P., (id. at 2-3).

Regarding the first adjustment proposal, Fitchburg asserts that the current EFC rate calculation includes an estimated overcollection of \$200,214 while the EFC proposed to become effective May 1, 1996 includes an estimated overcollection of \$119,882, an \$80,332 decrease (Exh. FGE-1, Asbury Testimony, at 3; Tr. at 24). The Company proposes to spread this amount over twelve months rather than three months (Tr. at 24). The Company asserts that this adjustment has the effect of reducing the amount of money to be recovered through the proposed fuel charge by \$61,444 (Exh. FGE-1, KMA-3; Tr. at 24). Further, the Company states that it would not collect interest on the deferred amount (Exh. FGE-1, Asbury Testimony, at 3).

The second adjustment proposed by the Company relates to the amortization of costs associated with Fitchburg's purchased power contract with Pinetree Power, (Exh. FGE-1, Asbury Testimony at 2; Tr. at 22-24). The Pinetree Power amortization, as approved in D.P.U. 95-5D, is based on a twelve month rolling forecast of costs and a fixed monthly amortization amount (Tr. at 23). The Company proposes to keep the same twelve month rolling forecast approach but to modify the existing fixed monthly amortization to an amortization based on KWH sales (id.). According to the Company, the basis for the current amortization allowed in D.P.U. 95-5D was to provide benefits to customers "by sending more stable pricing signals" (Exh. FGE-1, Asbury Testimony at 2). According to the Company the purpose of the proposed changes to the Pinetree Power amortization method is to provide a more stable fuel charge and to minimize bill impacts to customers (Tr. at 23). Under the Company's proposal, all other aspects of the amortization method would remain the same (id.). The Company asserts that the proposed modification of the fixed monthly amortization to an amortization based on KWH sales is consistent with the

Department findings in D.P.U. 95-5D (id.).

The Company summarized the impact of the two adjustments on its proposed fuel charge by noting that the current fuel charge is \$0.03655 compared to a fuel charge without these two adjustments of \$0.04083, which would be an 11.71 percent increase in the fuel charge (Tr. at 24-25). The Company's states that the two adjustments would result in a 7.06 percent increase in the proposed fuel charge (id.).

### III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to 220 C.M.R. § 8.04, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b). The Company is also required, under 220 C.M.R. § 8.04(6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 200 C.M.R. § 8.04(6)(a).

The Company proposed the following standard rates to be paid to QFs during May, June and July 1996:

#### Energy Rates By Voltage Level (Mills/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
NEPOOL Trans.	29.88	19.92	24.25
Fitchburg 69 KV	29.97	19.98	24.32
13.8 KV Subtrans.	30.25	20.17	24.55
Primary	32.32	20.75	25.77
Secondary	32.64	21.12	26.11

Short-Run Capacity Rates (Mills/KWH)

<u>Voltage Level</u>	
NEPOOL Trans.	23.06
Fitchburg 69 KV	23.13
13.8 KV Subtrans.	23.34
Primary	24.95
Secondary	25.19

#### IV. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of May, June and July 1996, shall be \$0.03913 per KWH. (The calculation of the fuel charge is shown in Table 1 attached to this Order.)

2. that the QF power purchase rates for May, June and July 1996, shall be the rates set forth in Section III above; and

3. that the proposal to recover the projected \$80,332 increase in the reconciliation amount over a twelve month period rather than in the second quarter reduces volatility in rates and minimizes the impact on customers' bills and is in the best interests of the Company's ratepayers; and

4. that the proposed modification of the Pinetree Power amortization calculation is

consistent with the findings in D.P.U. 95-5D; that the proposed modification appears to provide a more stable fuel charge; that the proposed modification minimizes the impact on customers' bills with the second quarter EFC; and that the proposed modification appears to be in the best interest of the Company's ratepayers.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Fitchburg Gas and Electric Light Company is authorized to put into effect a quarterly fuel charge of \$0.03913 per KWH as set forth in Section IV, Finding 1 of this Order for bills issued pursuant to meter readings for the billing months of May, June and July 1996, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of May, June and July 1996, shall be those set forth in the Table on page five of this Order; and it is

FURTHER ORDERED: That the Company may recover the projected \$80,332 increase in the reconciliation amount over a twelve month period rather than in the second quarter; and it is

FURTHER ORDERED: That the Company may amortize the demand costs associated with Pinetree Power through December 1996 as set forth in Exhibit FGE-1, KMA-1, at 2; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide the small power producer information on a computer disk; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G (a) and (b), fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges.

By Order of the Department,



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John B. Howe, Chairman

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Mary Clark Webster, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).